

**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016**

This is annexure A of 34 pages referred to in form 388 "Copy of financial statements and reports"

A handwritten signature in black ink, appearing to read 'Guy Hasenkam', with a horizontal line drawn underneath it.

Guy Hasenkam
Director

30 September 2016
Gold Coast

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DIRECTORS' REPORT

The directors of Guardian Securities Limited (the "Responsible Entity"), the Responsible Entity of SMSF Property Fund (referred to hereafter as the "Fund"), present their report together with the financial statements of the Consolidated Entity (referred to hereafter as the "Consolidated Entity"), consisting of the unit trust and the special purpose vehicles it controlled for the year ended 30 June 2016, and the auditor's report thereon.

Directors

The following persons were directors of Guardian Securities Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Guy Hasenkam	
Christopher Wilson	
Gerald Ward	(Resigned 16 June 2016)
Erroll Jackson	(Appointed 16 June 2016)

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia. SMSF Property Fund is a property fund that was formed to acquire Australian residential property for development purposes on behalf of fund investors. The Fund invests in Australian residential property through special purpose vehicles established for each investment opportunity, each of which form part of the consolidated entity.

The Consolidated Entity did not have any employees during the period.

No significant change in the nature of these activities occurred during the year.

Scheme information

SMSF Property Fund (the "Fund") is a registered managed investment scheme under the Corporations Act 2001. The Fund was constituted on 15 August 2012 and will terminate on 14 August 2092 unless terminated in accordance with the Constitution.

The registered office and principal place of business of the Responsible Entity and the Fund is Suite 7, 211 Ron Penhaligon Way, Robina, QLD 4226.

Review of operations

The net loss from ordinary activities after income tax for the year ended 30 June 2016 amounted to \$1,694,631 (2015: \$542,159).

The majority of projects are in development stage and commercial revenues from sales were \$392,182 (2015: \$1,513,545).

Scheme assets

At 30 June 2016, the Consolidated Entity had total assets of \$28,411,267 (2015: \$19,737,091), which were primarily invested in various residential development projects in Australia and bank deposits. The Consolidated Entity had 519 investors at 30 June 2016 (2015: 320).

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DIRECTORS' REPORT

Review of operations (cont'd)

Responsible entity

The following fees were paid to Guardian Securities Limited out of Consolidated Entity's property during the financial year:

	2016	2015
	\$	\$
Management fees paid directly by the consolidated entity	645,079	466,769

A director of the Responsible Entity, Guy Hasenkam has subscribed for \$100,000 preference shares in the subsidiary Livingstone Street Residences Development Pty Ltd and The Guardian Investment Fund, subscribed for \$2,817,780 preference shares in various special purpose vehicles during the financial year. The Responsible Entity and its associates had no other funds invested in the Consolidated Entity at balance date.

Distributions

Distributions amounting to \$43,965 were paid during the year (2015 \$nil).

Investor Funds

The Consolidated Entity received \$5,247,979 (2015: \$11,163,914) of investor funds during the year, while \$nil was withdrawn (2015: \$nil). The balance of investors' funds at the end of the financial year amounted to \$22,130,568 (2015: \$18,577,220).

Significant changes in the state of affairs

In the opinion of the Responsible Entity, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the year under review other than as disclosed in the review and results of operations.

Matters subsequent to the end of the financial year

There have been no transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Likely developments

The Consolidated Entity will continue to pursue its policy of increasing returns through active investment selection.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulations

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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DIRECTORS' REPORT

Indemnities and insurance premiums for officers or auditors

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

- a. any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
- b. a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

The Fund has not indemnified or insured directors or officers.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the board,



Guy Hasenkam
Director

30 September 2016
Gold Coast

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GUARDIAN SECURITIES LIMITED AS RESPONSIBLE ENTITY FOR SMSF
PROPERTY FUND**

I declare to the best of my knowledge and belief, in relation to the audit of the financial report of SMSF Property Fund and its Controlled Entities for the year ended 30 June 2016, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.


PKF


William Grant Chatham
Partner

30 September 2016
Gold Coast

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Liability limited by a scheme approved under Professional Standards Legislation.

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General information

The financial report covers SMSF Property Fund as a consolidated entity consisting of Paddington View Residences Development Pty Ltd, Park Avenue Developments Pty Ltd, Stafford Residences Development Pty Ltd, Livingstone Street Residences Development Pty Ltd, Burrell Avenue Developments Pty Ltd, Rosedene Street Residences Development Pty Ltd, Bryna Parade Residences Development Pty Ltd and Chermide Residences Development Pty Ltd . The financial report is presented in Australian dollars, which is SMSF Property Fund's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the director's declaration.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 30 September 2016.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

		Consolidated	
	Note	2016	2015
		\$	\$
Revenue and other revenue			
Sales revenue		392,182	1,513,545
Interest income	5	21,389	42,181
Total revenue		<u>416,387</u>	<u>1,555,726</u>
Expenses			
Cost of sales	10	(493,719)	(1,017,393)
Management fees	16	(645,079)	(466,769)
Professional fees		(50,372)	(105,305)
Marketing fees		(652,119)	(229,059)
Property expenses		(107,128)	(105,461)
Impairment	10	-	(90,000)
Other expenses		(74,811)	(91,602)
Finance costs		(381,520)	(120,088)
Total expenses		<u>(2,404,748)</u>	<u>(2,225,677)</u>
Loss before finance costs and income tax attributable to unitholders		<u>(1,988,361)</u>	<u>(669,951)</u>
Distributions paid to investors		<u>(43,965)</u>	<u>-</u>
Loss after finance costs and before income tax benefits attributable to unitholders		<u>(2,032,326)</u>	<u>(669,951)</u>
Income tax benefit	6	337,695	127,793
Loss after income tax expense and finance costs attributable to unitholders		<u>(1,694,631)</u>	<u>(542,158)</u>
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income		<u>-</u>	<u>-</u>
Change in net assets attributable to unitholders		<u>(1,694,631)</u>	<u>(542,158)</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

		Consolidated	
	Note	2016	2015
		\$	\$
Assets			
Cash and cash equivalents	7	1,630,786	2,923,954
Other receivables	8	38,531	79,998
Other assets	9	10,000	10,000
Inventories - work in progress	10	26,064,447	16,393,332
Deferred tax assets	11	667,503	329,808
Total Assets		28,411,267	19,737,092
Liabilities			
Financial liabilities measured at amortised cost:			
Payables	12	1,624,976	612,678
Loans	13	1,737,943	547,194
Preference shares	14	2,917,780	-
Total liabilities (excluding net assets attributable to investors)		6,280,699	1,159,872
Net assets attributable to investors – liability	4	22,130,568	18,577,220

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

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**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2016**

	Units on Issue No.	Net Assets Attributable to Unitholders \$
Balance at 1 July 2015	19,678,100	18,577,220
Issue of units	5,247,979	5,247,979
Application funds received but not yet issued	-	-
Redemption of units	-	-
Increase in net assets attributable to unitholders from	5,247,979	5,247,979
Change in net assets attributable to unitholders	-	(1,694,631)
Balance at 30 June 2016	24,926,079	22,130,568
Balance at 1 July 2014	8,514,186	7,955,464
Issue of units	8,813,914	8,813,914
Application funds received but not yet issued	2,350,000	2,350,000
Redemption of units	-	-
Increase in net assets attributable to unitholders from	11,163,914	11,163,914
Change in net assets attributable to unitholders	-	(542,158)
Balance at 30 June 2015	19,678,100	18,577,220

The above consolidated statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

		Consolidated	
	Note	2016	2015
		\$	\$
Cash flows from operating activities			
Sales income		394,998	1,513,545
Interest income – cash and cash equivalents		21,389	42,181
Payment for inventories		(10,164,834)	(10,376,923)
Payments to investors		(43,965)	-
Management fees paid		(410,158)	(406,213)
Other operating costs paid		(447,104)	(407,930)
Income taxes paid		-	-
Net cash flows from/(used in) operating activities	23	(10,649,674)	(9,635,340)
Cash flows from investing activities			
Net cash flows from/(used in) investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of units		5,247,979	10,584,914
Proceeds from issue of preference shares		3,447,780	-
Redemptions paid for preference shares		(530,000)	-
Proceeds from borrowings		2,419,870	1,924,998
Repayment of borrowings		(1,229,122)	(1,377,806)
Net cash flows from/(used in) financing activities		9,356,507	11,132,106
Net increase/(decrease) in cash and cash equivalents		(1,293,167)	1,496,766
Cash and cash equivalents at the beginning of the financial year		2,923,954	1,427,188
Cash and cash equivalents at the end of the financial year	7	1,630,786	2,923,954

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015. The nature and the impact of each new standard and/or amendment is described below:

AASB 2015-1 'Amendments to Australian Accounting Standards –Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'

This standard amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle. Key amendments include:

- AASB 5 – Change in methods of disposal;
- AASB 7 – Servicing contracts and applicability of the amendments to
- AASB 7 - To condensed interim financial statements;
- AASB 119 – Discount rate: regional market issue; and
- AASB 134 – Disclosure of information 'elsewhere in the interim financial report'.

The adoption of these amendments has not had a material impact on the Consolidated Entity.

AASB 2015-2 'Amendments to Australian Accounting Standards –Disclosure Initiative: Amendments to AASB 101 Amends AASB 101'

The standard focuses on the presentation of Financial Statements and provides clarification regarding the disclosure requirements in AASB 101. It includes narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements. The application of the amendments does not have any material impact on the financial statements.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

This standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. The application of the amendments does not have any material impact on the financial statements.

Standards and Interpretations that are not expected to have a material impact on the Consolidated Entity have not been included.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for the Fund, a for-profit oriented entity. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of preparation (cont'd)

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months in relation to these balances cannot be reliably determined.

The financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 21.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SMSF Property Fund ('Fund' or 'unit trust') as at 30 June 2016 and the results of all subsidiaries for the year then ended. SMSF Property Fund and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Consolidated Entity's functional currency.

Financial instruments

Classification

Financial assets that are classified as loans and receivables include balances due from accounts receivable. Other financial assets that are measured at amortised cost include cash and cash equivalents.

Financial liabilities that are not at fair value through profit or loss include balances due to the Responsible Entity and other accounts payable.

Recognition

The Consolidated Entity recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Measurement

Financial instruments are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities are amortised over the life of the asset or liability using the effective interest method.

Financial assets classified as loans and receivables are carried at amortised costs using the effective interest rate method, less impairment losses, if any.

Loans and receivables are financial assets with a fixed or determinable payment that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Financial liabilities are measured at amortised cost using the effective interest rate.

Financial liabilities arising from investor funds are carried at the redemption amount representing the investors' right to a residual interest in the Consolidated Entity's assets at reporting date.

Specific instruments - cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

Derecognition

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Inventories

Inventories of the Consolidated Entity represent work in progress for the property developments.

Inventories are measured at the lower of cost and net realisable value.

Cost includes the cost of acquisition, and for development properties also includes development and costs of conversion incurred from the commencement of construction until the point of time that construction of the property is completed and the property is ready for sale.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income tax (cont'd)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Interest income

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income is recognised on a gross basis, including withholding tax, if any.

Expenses

All expenses, including management fees, are recognised in the statement of comprehensive income on an accrual basis.

Finance costs

Distributions paid and payable on investor funds are recognised in the statement of comprehensive income as finance costs and as a liability where not paid. Distributions paid are included in cash flows from operating activities in the statement of cash flows.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Unit prices

The unit price is based on unit price accounting outlined in the Fund's Constitution and Product Disclosure Statement.

Distribution and taxation

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Consolidated Entity is not subject to capital gains tax.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Redeemable units and investor liabilities

All redeemable units issued by the Fund provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement the Fund is contractually obliged to redeem units at the redemption price.

Goods and Services Tax ('GST')

Management fees, custody fees and other expenses are recognised net of the amount of Goods and Services Tax (GST) recoverable from the Australian Taxation Office (ATO). Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2016. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New accounting standards and interpretations not yet mandatory or early adopted (cont'd)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers.

For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The impact of the adoption of the standard is yet to be assessed by the Consolidated Entity.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

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2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the estimated costs to complete and other factors that affect net realisable value.

Income tax

The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

3 GOING CONCERN

The Consolidated Entity has incurred a net loss of \$1,694,631 for the financial year ended 30 June 2016 and had net assets attributable to investors of \$22,130,568 as at that date. Based on current internal cash flow forecasts, each special purpose vehicle (subsidiaries) have access to sufficient resources to fund the estimated costs to complete each development and if required, each special purpose vehicle has the capacity to borrow external debt funding to fund these estimated costs to complete. As at the date of this report, Burrell Avenue Developments Pty Ltd's external bank loan, as outlined in note 13, has matured and is due for repayment. The directors of the Responsible Entity are in the process of renewing this facility and are confident that this loan will be extended for a further 6 months which they estimate is sufficient to cover estimated completion sales and cost forecasts.

As such, the financial report has been prepared on a going concern basis as management is confident that the Consolidated Entity is a going concern and that it can meet its debts and obligations as and when they fall due at least until 30 September 2017.

4 NET ASSETS ATTRIBUTABLE TO INVESTORS – LIABILITY

Quantitative information about the Consolidated Entity's net assets attributable to unitholders is provided in the Statement of Changes in Net Assets Attributable to Unitholders. The Consolidated Entity manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

Investors within the Consolidated Entity are issued classes of units which correspond with the particular development the investors are investing in. Classes of units are issued with a fixed term and no withdrawal rights. Prior to the expiry of a class of units, properties corresponding to that class of units must be sold and net proceeds distributed to investors. Investors in a class of units will have a proportional beneficial interest in the property corresponding to that class of units. Investors will not have a beneficial interest in a property corresponding to another class of units.

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5 INTEREST INCOME		Consolidated 2016		Consolidated 2015	
	Balance	Interest income	Average rate	Balance	Interest income
					Average rate
Cash and cash	\$ 1,630,786	\$ 21,389	0.94%	\$ 2,923,954	\$ 42,181
					2.06%

6 INCOME TAX		Consolidated	
		2016	2015
<i>Income tax expense</i>		\$	\$
Current tax		-	-
Deferred tax - origination and reversal of temporary differences		337,695	127,793
Adjustment recognised for prior periods		-	-
Aggregate income tax benefit/(expense)		<u>337,695</u>	<u>127,793</u>
Deferred tax included in income tax benefit comprises:			
Deferred tax assets		337,695	127,793
Deferred tax liabilities		-	-
Deferred tax - origination and reversal of temporary differences		<u>337,695</u>	<u>127,793</u>
<i>Numerical reconciliation of income tax expenses and tax at the statutory rate</i>			
Loss before income tax benefit		<u>(2,032,326)</u>	<u>(669,951)</u>
Tax at the statutory tax rate of 30%		(609,698)	(200,985)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Fines & penalties			529
Legal fees		5,736	811
Blackhole expenditure		(20,604)	(4,432)
Capital raising expenditure		31,724	-
Other		13,310	-
		<u>(579,532)</u>	<u>(204,077)</u>
Under (over) provision from prior years		14,638	-
Reversal of previous recognition of tax losses and temporary differences		187,198	17,074
Tax losses not recognised		143,346	59,211
Previously unrecognised temporary difference now recognised		(123,877)	-
Previously unrecognised tax losses now recognised		20,532	-
Income tax (benefit)/expense		<u>(337,695)</u>	<u>(127,792)</u>

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7 CASH AND CASH EQUIVALENTS

	Consolidated	
	2016	2015
	\$	\$
Cash held with banks	<u>1,630,786</u>	<u>2,923,954</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<u>1,630,786</u>	<u>2,923,954</u>
Balance as per statement of cash flows	<u>1,630,786</u>	<u>2,923,954</u>

8 OTHER RECEIVABLES

Other receivables	<u>38,531</u>	<u>79,998</u>
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9 OTHER ASSETS

Bonds	<u>10,000</u>	<u>10,000</u>
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10 INVENTORIES

<i>Work in progress</i>		
Opening balance	16,393,332	6,544,802
Acquisitions	10,254,834	10,955,923
Disposals	(493,719)	(1,017,393)
Provision for impairment	(90,000)	(90,000)
Closing balance	<u>26,064,447</u>	<u>16,393,332</u>

Work in progress relates to eight (2015: six) developments in Queensland being undertaken by the Consolidated Entity. These developments have entered into fixed price construction agreements as at 30 June 2016 and under these agreements the Consolidated Entity has commitments of \$12,739,587 (2015: \$5,975,840) for the completion of construction under these contracts.

Economic dependency

All of the Consolidated Entity's projects are being developed by SMSF Property Australia Pty Ltd and all construction contracts are with Development Delivery Construction Pty Ltd, a related entity to SMSF Property Australia Pty Ltd. Should these entities be unable to complete the projects under the existing contracts, this may result in a significant negative economic impact on the projects and their recoverability.

Debt security and ranking

The Burrell Avenue Developments property has been mortgaged under a bank loan. Refer to note 13 for further information.

Various subsidiaries of the Consolidated Entity have issued preference shares to assist with funding of the various projects. These preference shares have priority repayment over ordinary unitholder in the various classes of units of the Consolidated Entity.

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10 INVENTORIES (CONT'D)

The following table presents individual properties owned by the Consolidated Entity:

	Title	Acquisition date	Book value 30 June \$
2016			
	Paddington View Residences	Freehold 31-May-13	3,413,269
	Park Avenue Development	Freehold 20-Jan-15	6,212,892
	Stafford Residences Development	Freehold 16-Jun-14	1,432,554
	Livingstone Street Residences Development	Freehold 31-Jul-14	2,427,499
	Rosedene Street Residences Development	Freehold 06-Feb-15	3,242,950
	Burrell Avenue Developments	Freehold 27-Apr-15	4,280,735
	Bryna Parade Residences Development	Freehold 16-Jul-15	3,420,080
	Chermside Residences Development	Freehold 01-Oct-15	1,634,468
			<u>26,064,447</u>
2015			
	Paddington View Residences	Freehold 31-May-13	3,349,449
	Park Avenue Development	Freehold 20-Jan-15	5,577,287
	Stafford Residences Development	Freehold 16-Jun-14	1,395,521
	Livingstone Street Residences Development	Freehold 31-Jul-14	2,156,876
	Rosedene Street Residences Development	Freehold 06-Feb-15	2,975,089
	Burrell Avenue Developments	Freehold 27-Apr-15	939,110
			<u>16,393,332</u>

11 DEFERRED TAX ASSETS

	Consolidated	
	2016	2015
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Inventories – work in progress	42,310	6,070
Formation costs	170	356
Accrued expenses	-	60
Tax losses	625,023	323,322
Deferred tax asset	<u>667,503</u>	<u>329,808</u>
<i>Movements:</i>		
Opening balance	329,808	202,015
Taken to profit or loss	337,695	127,793
Taken to equity	-	-
Closing balance	<u>667,503</u>	<u>329,808</u>

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12 PAYABLES

	Consolidated	
	2016	2015
	\$	\$
Trade creditors and accruals	759,998	137,418
Retentions payable	56,927	56,927
Deposits	803,142	345,150
Other payables	4,909	73,183
	1,624,976	612,678

Deposits relate to installments made under four house and land package purchases in Park Avenue Developments. As at 30 June 2016, construction had not yet commenced on these houses and contracts with a licenced builder were yet to be formalised. Refer to note 18 for further information.

Refer to note 15 for further information on financial instruments.

13 LOANS

Loans payable	1,737,943	547,194
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Loans payable consist of a bank loan amounting to \$1,720,256 which in interest bearing at 4.01%, matures on 22 September 2016 and has a first mortgage security over Burrell Avenue Development's property as outlined in note 10. The directors of the Responsible Entity are in the process of renewing this facility and are confident that this loan will be extended for a further 6 months. Loans payable also include \$17,686 of loans from a related party which is interest free, unsecured and at call as outlined in note 20.

Refer to note 15 for further information on financial instruments.

14 PREFERENCE SHARES

Preference shares issued	2,917,780	-
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Cummulative preference shares have been issued to related parties from various development special purpose vehicles within the Consolidated Entity. The preference shares are interest bearing at 12% per annum, are redeemable 12 months from the date of issue and have priority repayment over unitholder funds. As at 30 June 2016, no preference shares issued were due for redemption. Refer to note 20 for further information.

Reconciliation:

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening value	-	-
Issued during the year	3,447,780	-
Redeemed during the year	(530,000)	-
Closing value	2,917,780	-

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15 FINANCIAL INSTRUMENTS

The Consolidated Entity's assets principally consist of inventories and cash investments. It holds these investment assets at the discretion of the Responsible Entity and Investment Committee in accordance with the Fund's constitution and Product Disclosure Statement.

The allocation of assets between the various types of assets described above is determined by the Fund's Manager and Investment Committee who manage the Consolidated Entity's portfolio of assets to achieve the Consolidated Entity's investment objectives.

The Consolidated Entity's investing activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The nature and extent of the financial instruments employed by the Consolidated Entity are discussed below. This note presents information about the Consolidated Entity's exposure to each of the above risks, the Consolidated Entity's objectives, policies and processes for measuring and managing risks.

The Board of Directors of the Responsible Entity and Investment Committee has overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework.

The Board and Investment Committee is responsible for developing and monitoring the Consolidated Entity's risk management policies, including those related to its investment activities. The Consolidated Entity's risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, including those risks managed by the Responsible Entity and Investment Committee, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities.

The Board and Investment Committee monitors compliance with the Consolidated Entity's risk management strategies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and property values will affect the Consolidated Entity's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is managed by the Board of Directors and Investment Committee.

Property value risk

The majority of the Consolidated Entity's assets are inventories which represent residential development properties. As a result, the Consolidated Entity is subject to property value risk from fluctuations in the prevailing levels of market property values. Changes in property values could have an effect on the net realisable value of the developments which would in turn impact the underlying value of the unitholders funds.

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15 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk

A significant portion of the Consolidated Entity's financial assets and financial liabilities are interest-bearing. Interest-bearing financial assets and financial liabilities have variable interest rates and/or mature in the short-term. As a result, the Consolidated Entity is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested in an interest-bearing deposit account with an Australian regulated banking institution.

The Consolidated Entity's interest rate risk is monitored on a monthly basis by the Board of Directors and Investment Committee.

Interest rate profile

At reporting date the interest rate profile of the Consolidated Entity's interest-bearing financial instruments was:

	Consolidated	
Fixed and variable rate instruments	2016	2015
	\$	\$
Financial assets:		
Cash and cash equivalents	1,630,786	2,923,954
Financial liabilities:		
Loans	1,737,943	547,194
Preference shares	2,917,780	-
	<u>4,655,723</u>	<u>547,194</u>

Interest rate sensitivity

An increase or decrease of 100 basis points in interest rates as at the reporting date would have an insignificant effect on the net assets attributable to unitholders and operating results.

The Consolidated Entity has issued preference shares which pay fixed interest of 12% per annum to the debt holders.

Credit risk

Credit risk is the risk that a counterparty to a financial instruments will fail to discharge an obligation or commitment that it has entered into with the Consolidated Entity. The Responsible Entity and Investment Committee manage the exposure to credit risk on an ongoing basis.

The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

Cash and cash equivalents	1,630,786	2,923,954
Other receivables	38,531	79,998
	<u>1,669,317</u>	<u>3,003,952</u>

All of the cash held by the Consolidated Entity is held by Australian regulated banks.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity's liquidity risk is managed on a monthly basis by the Board of Directors and Investment Committee in accordance with the policies and procedures in place.

Investors are not eligible to redeem their units in the Consolidated Entity prior to the expiration of their relevant investment term as outlined in the Product Disclosure Statements. In the event that the underlying properties for each development are not sold prior to the expiration of the term, the term of the investment is automatically extended by the Consolidated Entity.

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements:

Consolidated 2016	Carrying value \$	Contractual cash flows \$	0-6 Months \$	6- 12 Months \$	1-2 years \$	More than 2 years \$
Accounts payable	1,624,976	1,624,976	1,624,976	-	-	-
Loans	1,737,943	1,737,943	1,737,943	-	-	-
Preference shares	2,917,780	2,917,780	-	2,917,780	-	-
	<u>6,280,699</u>	<u>6,280,699</u>	<u>3,362,919</u>	<u>2,917,780</u>	<u>-</u>	<u>-</u>

Consolidated 2015	Carrying value \$	Contractual cash flows \$	0-6 Months \$	6- 12 Months \$	1-2 years \$	More than 2 years \$
Accounts payable	612,678	612,678	612,678	-	-	-
Loans	547,194	547,194	547,194	-	-	-
	<u>1,159,872</u>	<u>1,159,872</u>	<u>1,159,872</u>	<u>-</u>	<u>-</u>	<u>-</u>

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Consolidated Entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Consolidated Entity's operations.

The objective of the Responsible Entity and Investment Committee is to manage operational risk so as to balance the avoidance of financial losses and damage to the Consolidated Entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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15 FINANCIAL INSTRUMENTS (CONT'D)

Operational risk (cont'd)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Responsible Entity and Investment Committee. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

16 KEY MANAGEMENT PERSONNEL DISCLOSURES

The directors of Guardian Securities Limited are considered to be Key Management Personnel of the Consolidated Entity. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Guy Hasenkam	
Christopher Wilson	
Gerald Ward	(Resigned 16 June 2016)
Errol Jackson	(Appointed 16 June 2016)

In addition to the Directors noted above, Guardian Securities Limited, the Responsible Entity of the Consolidated Entity, is considered to be Key Management Personnel with the authority for the strategic direction and management of the Consolidated Entity.

Compensation

No amount is paid by the Consolidated Entity directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Consolidated to the Directors as Key Management Personnel.

Guardian Securities Limited provides management services to the Fund. Transactions between the Fund and the Responsible Entity Limited result from normal dealings with that company as the Fund's Responsible Entity. Guardian Securities Limited is an Australian Financial Services License holder.

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16 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

Guardian Securities Limited receives all management fees that have been paid by the Consolidated Entity during the year. The Consolidated Entity paid the following fees to the Responsible Entity during the financial year:

	Consolidated	
	2016	2015
	\$	\$
Management fees paid to Guardian Securities Limited	410,158	406,213
Management fees payable to Guardian Securities Limited	234,921	60,556
	645,079	466,769

Other

The Consolidated Entity has not made, guaranteed or secured, either directly or indirectly, any loans to the directors and key management personnel of the Responsible Entity, or their personally related entities, at any time during the financial year.

No directors and key management personnel of the Responsible Entity, or their personally related entities, have entered into a material contract with the Consolidated Entity, with the exception of Guy Hasenkam who has invested in the Consolidated Entity through units and preference shares as outlined below:

Preference shares held in Livingstone Street Residences Development Pty Ltd	100,000	-
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The preference shares are on the same terms as all other preference shares issued within the Consolidated Entity and are interest bearing at 12% per annum, redeemable 12 months from the date of issue and have priority repayment over ordinary unitholder in the various classes of units of the Consolidated Entity.

Units held in Park Avenue Developments Pty Ltd	50,000	50,000
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The units held in Park Avenue Developments Pty Ltd are on the same terms as all other unitholder funds in accordance with the part 2 Product Disclosure Statement issued.

17 AUDITORS REMUNERATION

During the financial year the following fees were paid or payable for services provided by PKF (Gold Coast) the auditor of the Fund, its network firms and unrelated firms:

<i>Audit services – PKF (Gold Coast)</i>		
Audit or review of the financial statements	23,500	21,000
Audit of the compliance plan	2,000	2,250
	25,500	23,250
<i>Other services – PKF (Gold Coast)</i>		
Tax compilation and advice	13,500	10,500
	39,000	33,750

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18 CONTINGENT LIABILITIES

The Consolidated Entity did not have any contingent liabilities as at 30 June 2016 (2015:\$nil), other than those arising from performance obligations in relation to contracts entered by Park Avenue Developments Pty Ltd under the Companies normal operations.

19 COMMITMENTS

Except for construction and development contracts relating to projects as outlined in note 10, there are no other commitments, either capital, operating or finance, as at 30 June 2016 (2015:\$nil).

20 RELATED PARTIES

Consolidated	
2016	2015
\$	\$

Parent entity

SMSF Property Fund is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Key management personnel

Disclosures relating to key management personnel are set out in note 16.

Transactions with related parties

Finance and interest costs paid on preference shares	138,305	-
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Finance and interest costs have been paid to The Guardian Investment Fund which is a registered scheme of which Guardian Securities Limited also acts as Responsible Entity for and to Guy Hasenkam. The costs are in relation to the preference shares issued which are outlined below.

Apart from the other transactions disclosed below, there are no transactions with related parties during the financial year ended 30 June 2016 (2015: \$nil).

Receivables from and payables to related parties

Loans payable to GSL Services Pty Ltd	17,686	-
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Loans payable to GSL Services Pty Ltd, a related entity to the Responsible Entity, are unsecured, interest free and at call.

Apart from the other transactions disclosed below, there are no receivables from or payables to related parties as at 30 June 2016 (2015: \$nil).

Related party investments held by the Consolidated Entity

The Consolidated Entity has no investment in related parties as at 30 June 2016 (2015: \$nil).

**SMSF PROPERTY FUND
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20 RELATED PARTIES (CONT'D)

	Consolidated	
	2016	2015
	\$	\$
<i>Related party investments</i>		
Preference shares	2,817,780	-

Preference shares have been subscribed for by The Guardian Investment Fund which is a registered scheme of which Guardian Securities Limited also acts as Responsible Entity for.

Apart from the investments held by Guy Hasenkam as outlined in note 16 and the other transactions disclosed below, no related parties have investments in the Consolidated Entity as at 30 June 2016 (2015: \$nil).

Other related party transactions

The Consolidated Entity is dependent upon the ongoing successful operation of SMSF Property Australia Pty Ltd ("the property development manager"), SMSF Property Capital Pty Ltd ("the authorised representatives"), SMSF Asset Sales Pty Ltd ("the sales agent"), Investstruction Pty Ltd and Development Delivery Construction Pty Ltd ("the builder"). These entities facilitate the development, construction and capital raising of the Consolidated Entity's developments.

Given the relationship between the Consolidated Entity and these parties, they are considered to be related parties and as a result the following transactions have occurred between the Consolidated Entity and these related parties during the financial year:

Property development manager transactions

The following fees were paid by the Consolidated Entity to the property development manager during the financial year:

Property Development fees paid to SMSF Property Australia Pty Ltd	475,301	568,283
Property Development fees payable to SMSF Property Australia Pty Ltd	10,665	-
	<u>485,966</u>	<u>568,283</u>

Construction contract transactions

The following construction costs were paid by the Consolidated Entity to the builder during the financial year:

Construction costs paid to Investstruction Pty Ltd and Development Delivery Construction Pty Ltd	4,773,876	4,494,233
Construction costs payable to Investstruction Pty Ltd and Development Delivery Construction Pty Ltd	293,427	-
	<u>5,067,303</u>	<u>4,494,233</u>

Investstruction Pty Ltd went into voluntary administration during the financial year and all contracts between the Consolidated Entity and Investstruction Pty Ltd were assigned to Development Delivery Construction Pty Ltd.

Marketing and promotion transactions

The following marketing and promotional fees were paid by the Consolidated Entity to the sales agent during the financial year:

Marketing and promotional fees paid to SMSF Asset Sales Pty Ltd	159,868	219,059
	<u>159,868</u>	<u>219,059</u>

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AND ITS CONTROLLED ENTITIES
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

20 RELATED PARTIES (CONT'D)

	Consolidated	
	2016	2015
	\$	\$
<i>Marketing and promotion transactions (cont'd)</i>		
Marketing and promotional fees paid to SMSF Property Australia Pty Ltd	43,413	-
	<u>43,413</u>	<u>-</u>
Marketing and promotional fees paid to SMSF Property Capital Pty Ltd	415,575	-
Marketing and promotional fees payable to SMSF Property Capital Pty Ltd	12,456	-
	<u>428,031</u>	<u>-</u>

Due diligence transactions

The following due diligence fees were paid by the Consolidated Entity to the property development manager during the financial year:

Due diligence costs paid to SMSF Property Australia Pty Ltd	149,150	94,475
Due diligence costs payable to SMSF Property Australia Pty Ltd	-	52,125
	<u>149,150</u>	<u>146,600</u>

Investing activities

Employees and associates of the property development manager and authorised representative have invested the following amounts into the Consolidated Entity at year end:

Investments into the fund	<u>1,374,440</u>	<u>543,185</u>
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These investments are on normal terms and conditions as provided to other investors.

21 PARENT ENTITY INFORMATION

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity, SMSF Property Fund. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1.

21 PARENT ENTITY INFORMATION

Total assets	25,182,811	19,763,155
Total liabilities	256,732	85,355
Net assets attributable to investors – liability	<u>24,926,079</u>	<u>19,677,800</u>
Profit/(loss) from operating activities	-	-
Total comprehensive income	<u>-</u>	<u>-</u>
Change in net assets attributable to investors	<u>-</u>	<u>-</u>

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

**SMSF PROPERTY FUND
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ARSN 159 753 474**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

21 PARENT ENTITY INFORMATION (CONT'D)

Contractual commitments

The parent entity has commitments of \$12,739,587 (2015: \$3,640,121) for the completion of construction of the properties contracted for at 30 June 2016.

Contingent liabilities

The parent entity has no contingent liabilities as at 30 June 2016 and 30 June 2015.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

22 SUBSIDIARIES

The consolidated financial statements incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Name of entity	Country of	Equity holding	
		2016 %	2015 %
Paddington View Residences Development Pty Ltd	Australia	100	100
Park Avenue Developments Pty Ltd	Australia	100	100
Stafford Residences Development Pty Ltd	Australia	100	100
Livingstone Street Residences Development Pty Ltd	Australia	100	100
Burrell Avenue Developments Pty Ltd	Australia	100	100
Rosedene Street Residences Development Pty Ltd	Australia	100	100
Bryna Parade Residences Development Pty Ltd	Australia	100	-
Chermside Residences Development Pty Ltd	Australia	100	-

23 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES	Consolidated	
	2016 \$	2015 \$
Profit/(loss) from operating activities after tax and distributions	(1,694,631)	(542,158)
<i>Adjustments for non-cash items:</i>		
Share based payment		579,000
<i>Movements in working capital:</i>		
Increase/(decrease) in accounts payable	1,012,298	327,656
Decrease/ (increase) in inventories	(9,671,115)	(9,848,531)
(Increase)/decrease in receivables	41,469	(23,514)
(Increase)/decrease in deferred taxes	(337,695)	(127,793)
Cash flows from operating activities	<u>(10,649,674)</u>	<u>(9,635,340)</u>

**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

24 EVENTS SUBSEQUENT TO REPORTING DATE

There have been no transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

25 SEGMENT REPORTING

The Fund is organised into one segment, being property development and operates in one geographical segment, being Australia.

**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

DIRECTORS' DECLARATION

In the opinion of the directors of Guardian Securities Limited, Responsible Entity of SMSF Property Fund:

- a. the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- c. the attached financial statements and notes thereto give a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- d. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors,



Guy Hasenkam
Director

30 September 2016
Gold Coast

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SMSF PROPERTY FUND

Report on the financial statements

We have audited the accompanying financial statements of SMSF Property Fund ("the Fund"), which comprises the Consolidated Statement of Financial Position as at 30 June 2016, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Net Assets Attributable to Unitholders and Consolidated Statement of Cash Flows for the financial year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial statements

The directors of the Guardian Securities Limited ("the Responsible Entity") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity would be in the same terms if given to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion:

- (a) The financial statements of SMSF Property Fund is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) The financial statements also comply with International Financial Reporting Standards as disclosed in note 1.


PKF
William Grant Chatham
Partner

30 September 2016
Gold Coast